

Message Text

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ORIGIN EA-09

INFO OCT-01 IO-13 ISO-00 SS-15 EB-08 TRSE-00 H-01
NSC-05 AGRE-00 SP-02 USIA-06 AID-05 STR-04 OMB-01
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XMB-02 OPIC-03 LAB-04 SIL-01 FEA-01 ERDA-05
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E - MR. FRANK
EB - MR. BOEKER
EA/EP - MR. GEBER
D - MR. OXMAN
TREASURY-MR. TARDEK

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TO AMEMBASSY JAKARTA
INFO AMEMBASSY CANBERRA
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AMEMBASSY MANILA
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TAGS: EGEN, CIEC, EAID, ENRG, ID

SUBJECT: WIDJOJO VISIT

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1. (SUMMARY) GOI MINISTER OF STATE FOR ECONOMIC AFFAIRS, WIDJOJO CONCLUDED A VERY SUCCESSFUL VISIT TO US. TIMING WAS EXCELLENT. HE ARRIVED JUST AS USG IDEAS ON CIEC ISSUES HAD JELLED. IN ADDITION TO COMPREHENSIVE REVIEW NORTH-SOUTH ISSUES WITH UNDER SECRETARY COOPER, WIDJOJO MET WITH DR. SCHLESINGER, SECRETARY BLUMENTHAL, DEPUTY SECRETARY CHRISTOPHER AND AT WORKING BREAKFAST AT AMBASSADOR'S RESIDENCE WITH STATE, TREASURY, NSC AND CONGRESSIONAL OFFICERS. IN NEW YORK HE MET WITH OIL COMPANY AND BANKING REPS AND IN WASHINGTON WITH ACADEMIC

GROUP. ON BILATERAL ISSUES WIDJOJO EXPRESSED APPRECIATION FOR US DELEGATION'S CONSTRUCTIVE CONTRIBUTION TO IGGI AND FOR ADDITIONAL PL-480, RAISED OIL COMPANIES' PROBLEMS WITH IRS, URGED AN EARLY LNG DECISION BY FPC AND REMOVAL OF GSP EXCLUSION. WIDJOJO ALSO EXPRESSED APPRECIATION FOR US INTEREST IN ASEAN. ON NORTH-SOUTH ISSUES, DISCUSSIONS FOCUSED ON COMMODITY POLICY QUESTIONS, INCLUDING COMMON FUND. ONE USEFUL BYPRODUCT OF VISIT WAS LIBERAL EDUCATION GIVEN WIDJOJO ON U.S. POLITICAL PRESSURES AND INNER WORKINGS OF CONGRESS. (END SUMMARY).

2. WIDJOJO EXPRESSED HIS APPRECIATION BOTH TO SECRETARY BLUMENTHAL AND DEPUTY SECRETARY CHRISTOPHER FOR CONSTRUCTIVE ROLE OF US DELEGATION AT IGGI TO WHICH HE ATTRIBUTED TO LARGE EXTENT SUCCESS OF MEETING.

3. HE WAS ALSO GRATEFUL FOR ADDITIONAL PL 480 OF WHICH HE WAS INFORMED BY COOPER. HE TOLD SECRETARY BLUMENTHAL AND MR. CHRISTOPHER THAT INCREASED RICE SHIPMENTS ARE NEEDED TO BUILD UP DEPLETED STOCKS AND TO KEEP INFLATION UNDER CONTROL. HE ASSURED US THAT FOOD AID WILL NOT DIMINISH GOI EFFORTS TO INCREASE DOMESTIC FOOD PRODUCTION. WITH SECRETARY BLUMENTHAL WIDJOJO RAISED THE POSSIBILITY OF ADDITIONAL PL-480 RICE AND/OR WHEAT REQUIREMENTS "IN CASE OF EMERGENCY". BLUMENTHAL REPLIED LIMITED OFFICIAL USE
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THAT IN CASE OF TRUE EMERGENCY USG ALWAYS STANDS READY TO HELP ITS FRIENDS; BUT WIDJOJO SHOULD KNOW THAT RECENTLY APPROVED INCREASE IN PL 480 WAS DONE ONLY AFTER THOROUGH CONSIDERATION OF DIVERGING VIEWS WITHIN USG. BLUMENTHAL HOPED THAT GOI WOULD NOT ASK SOON FOR ANOTHER INCREASE IN PL 480 PROGRAMS SHORT OF AN EMERGENCY SITUATION.

4. WIDJOJO REPORTED THAT HE EXPECTS TO CONCLUDE NEW ARRANGEMENTS WITH OIL COMPANIES WITHIN NEXT FEW WEEKS TO PROVIDE INCENTIVES FOR OIL EXPLORATION. HE STATED THAT INDONESIA IS ANXIOUS TO MAINTAIN ITS OIL MARKET IN US AND IS VERY MUCH INTERESTED IN EXPORTING LNG TO US. TO BOTH DR. SCHLESINGER AND SECRETARY BLUMENTHAL WIDJOJO EXPRESSED HOPE THAT FPC COULD SOON MAKE FAVORABLE DECISION ON LNG. BOTH SCHLESINGER AND BLUMENTHAL EXPRESSED THEIR PERSONAL JUDGMENT THAT INDONESIAN LNG EXPORTS TO US WERE DESIRABLE, BUT POINTED OUT FPC'S INDEPENDENT REGULATORY STATUS. WIDJOJO ALSO RAISED TAX PROBLEM OF PRODUCTION-SHARING OIL COMPANIES WITH IRS. SECRETARY BLUMENTHAL SAID THAT IT IS HIS UNDERSTANDING THAT OIL COMPANIES STILL HAVE TO COME FORTH WITH GOI TAX PROPOSAL. ONCE THAT HAPPENS HE WILL BE PLEASED TO "LOOK INTO" MATTER WITH IRS

COMMISSIONER. IN MEETING WITH DR. SCHLESINGER WIDJOJO BRIEFLY REFERRED TO INDONESIA'S EXCLUSION FROM GSP EVEN THOUGH INDONESIA WAS AND WILL CONTINUE TO BE A RELIABLE SUPPLIER OF OIL TO US. HE SAID HE UNDERSTOOD THAT THERE ARE ATTEMPTS BEING MADE TO MODIFY THIS PROVISION OF THE TRADE ACT.

5. DEPUTY SECRETARY CHRISTOPHER RAISED THE PROBLEM OF HUMAN RIGHTS. HE WELCOMED THE PROGRESS BEING MADE IN RELEASING POLITICAL PRISONERS BUT STATED THAT THE PROMOTION OF HUMAN RIGHTS IS AND WILL REMAIN AN INTEGRAL PART OF U.S. FOREIGN POLICY.

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6. WIDJOJO EXPRESSED APPRECIATION FOR THE US GOVERNMENT'S ATTENTION TO ASEAN. GOI WAS GRATIFIED BY THE REFERENCE TO ASEAN IN THE CARTER-FUKUDA COMMUNIQUE AND THE PRESIDENT'S REFERENCE TO SOUTHEAST ASIA IN HIS SPEECH TO THE UN. WIDJOJO IS LOOKING FORWARD TO THE US-ASEAN CONSULTATIONS, PREPARATIONS FOR WHICH ARE IN THE HANDS OF THE PHILIPPINES.

7. WIDJOJO DISCUSSED NORTH-SOUTH ISSUES WITH SECRETARY BLUMENTHAL, DEPUTY SECRETARY CHRISTOPHER AND UNDER SECRETARY COOPER, AS WELL AS AT BREAKFAST MEETING AT AMBASSADOR'S RESIDENCE. AT ALL HIS MEETINGS WIDJOJO PUT HIS BEST FOOT FORWARD, SAYING THAT CIEC SHOULD PAVE THE WAY FOR A CONTINUING DIALOGUE IN VARIOUS APPROPRIATE FORA, THAT EMPHASIS SHOULD BE PLACED ON PRAGMATIC SOLUTIONS AND WE SHOULD GET AWAY FROM RHETORIC. HE ACKNOWLEDGED THAT USG HAS MADE SUBSTANTIAL PROGRESS IN MEETING MANY OF THE G-77'S REQUESTS AND THAT G-77 HAS ALSO MOVED FROM ORIGINAL RIGID POSITIONS (WHICH HE CONTRASTED WITH UNCTAD SECRETARIAT).

8. MOST OF DISCUSSIONS PERTAINED TO COMMODITY POLICY QUESTIONS AND COMMON FUND. WIDJOJO EMPHASIZED THAT G-77 CAN BE PERSUADED THAT COMMODITY STABILIZATION SCHEMES ARE INAPPROPRIATE VEHICLE FOR TRANSFER OF RESOURCES, THAT INDONESIA DOES NOT ENVISAGE COMMON FUND AS HAVING A MAJOR CENTRAL MANAGEMENT ROLE IN INTEGRATED COMMODITY PROGRAMS, THAT ONLY COUNTRIES WHICH ARE MAJOR PRODUCERS AND CONSUMERS SHOULD BE RESPONSIBLE FOR INDIVIDUAL COMMODITY STABILIZATION SCHEMES, AND THAT NEGOTIATIONS ON INDIVIDUAL COMMODITIES AND THE COMMON FUND SHOULD PROCEED ALONG PARALLEL LINES.

9. DEPUTY SECRETARY CHRISTOPHER GAVE WIDJOJO COPIES OF PRESIDENT'S SPEECH TO OAS AND CALLED HIS ATTENTION TO PASSAGE RELATING TO COMMODITY POLICY. HE SAID WE ARE

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SYMPATHETIC TO LEGITIMATE INTERESTS OF DEVELOPING COUNTRIES. WIDJOJO EXPRESSED TO CHRISTOPHER HIS APPRECIATION FOR PRESENT ROUND OF CONSULTATIONS ON NORTH-SOUTH, ISSUES WHICH HE FELT PREVIOUS ADMINISTRATION HAD OFTEN FAILED TO UNDERTAKE.

10. SECRETARY BLUMENTHAL SAID THAT HE IS NOT OPPOSED IN PRINCIPLE TO COMMODITY STABILIZATION ARRANGEMENTS WHICH ARE AIMED ONLY AT ELIMINATING EXCESSIVE PRICE FLUCTUATIONS, BUT SUCH ARRANGEMENTS HAVE LIMITED SCOPE. THEY ARE DIFFICULT TO NEGOTIATE, AND NEGOTIATIONS TAKE TIME. BLUMENTHAL CONCURRED WITH WIDJOJO'S COMMENT THAT COMMODITY AGREEMENTS SHOULD NOT BE USED TO TRANSFER RESOURCES. BLUMENTHAL EXPRESSED VIEW THAT DIVERSE CHARACTERISTICS OF COMMODITIES WHOSE PRICES ARE TO BE STABILIZED WOULD SEEM TO REQUIRE, IDEALLY, THAT INDIVIDUAL PRICE STABILIZATION ARRANGEMENTS BE MADE FOR THESE COMMODITIES PRIOR TO ANY DISCUSSION OF WAYS TO SET UP A COMMON FUNDING MECHANISM. HOWEVER, HE WAS WILLING TO CONTEMPLATE A PARALLEL DEVELOPMENT BETWEEN NEGOTIATIONS FOR INDIVIDUAL COMMODITY ARRANGEMENTS AND NEGOTIATIONS TO ESTABLISH A COMMON FUNDING MECHANISM.

11. AT SATURDAY BREAKFAST MEETING THERE WAS FULLER EXPLANATION ON PART OF US PARTICIPANTS FROM DEPT, TREASURY, NSC, AND SENATE FOREIGN RELATIONS COMMITTEE STAFF OF POLITICAL AND CONGRESSIONAL CONSTRAINTS ON HOW FAR AND HOW FAST USG CAN MOVE ON NORTH/SOUTH ISSUES, PARTICULARLY ON COMMON FUND. THERE WAS SOME DISCUSSION ON WHAT CONCLUSIONS CIEC MEETING COULD ACHIEVE, AND AMBASSADOR ALATAS OF GOI MISSION IN GENEVA PLEADED FOR EXPRESSION OF "POLITICAL WILL" ON PART OF G-8 AND HOPED US COULD GO AS FAR AS EC ON A COMMON FUND. US SIDE SUGGESTED THAT ON COMMON FUND ISSUE CIEC MIGHT BEST RECORD SUBSTANTIAL PROGRESS ON BOTH SIDES WHICH HAS NARROWED GAP BETWEEN THEM AND ON BASIS OF WHICH DIALOGUE
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CAN BE FRUITFULLY CONTINUED IN OTHER APPROPRIATE FORA.

12. WITH DR. SCHLESINGER, WIDJOJO BROUGHT UP DESIRABILITY OF SOME CONTINUING FORUM FOR DISCUSSIONS ON ENERGY AFTER CIEC. SCHLESINGER INDICATED THAT HE AGREES THAT SUCH WOULD BE DESIRABLE, BUT EXACT NATURE OF SUCH FUTURE DISCUSSION STILL NEEDS TO BE THOUGHT THROUGH.

13. WIDJOJO'S APRIL 12 LUNCHEON WITH BANKERS LESS PRODUCTIVE THAN IT MIGHT HAVE BEEN, BECAUSE OF CONFUSION OVER INVITATIONS AND CONGESTED NEW YORK CITY TRAFFIC. INVITATIONS SNAFU KEPT AT LEAST ONE BANK FROM ATTENDING. THOSE WHO DID ATTEND (MORGAN GUARANTY, CITIBANK, MANUFACTURERS HANOVER, AMONG OTHERS) HAD TO WAIT 45 MINUTES FOR WIDJOJO TO ARRIVE FROM THE UN. AS RESULT, WIDJOJO'S REMARKS AND QUESTION-ANSWER PERIOD WERE TRUNCATED. WIDJOJO ASSURED HIS LISTNERS THAT THREE PROBLEMS WHICH HAVE RECENTLY FACED GOI (PERTAMINA'S FINANCES, FOOD SHORTAGES, GLOBAL RECESSION) WOULD HAVE NO LASTING EFFECTS ON INDONESIAN ECONOMY. REFERRING TO TANKER LAW SUITS, HE SAID "WE WILL DO WHAT WE HAVE TO DO", WHICH WAS INTERPRETED TO MEAN THAT GOI WOULD CONTINUE CONTESTING RAPPAPORT. WIDJOJO ALSO REPORTED HE HOPED NEW GOI FOREIGN INVESTMENT RULES, PROVIDING A "ONE-STOP SERVICE", COULD BE ISSUED WITHIN NEXT FEW MONTHS.

14. WIDJOJO'S APRIL 13 LUNCHEON AND PRIVATE SESSIONS WITH OIL COMPANY EXECUTIVES REPORTEDLY WENT MUCH BETTER, ACCORDING GEORGE BENSON. SOURING OF ATMOSPHERE AT VERY OUTSET WAS PREVENTED BY BENSON, WHO URGED COMPANIES TO ASK HIM, NOT WIDJOJO, ABOUT GEN. IBNU'S CIRCUMSTANCES. UNION OIL SENIOR VICE PRESIDNET TOLD DEPTOFF THAT WIDJOJO MADE IT VERY CLEAR AT LUNCHEON THAT COMPANIES SHOULD CONFINE THEIR DEALINGS TO HARYONO AND SADLI; HE (WIDJOJO) WOULD NOT ENTERTAIN "APPEALS" FROM THE LIMITED OFFICIAL USE
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COMPANIES. AT SAME TIME, WIDJOJO INDICATED HE WOULD BE INTIMATELY INVOLVED IN, AND DIRECTING, ALL ASPECTS OF OIL SECTOR AFFAIRS. GOI WANTED TO MAXIMIZE OUTPUT AND TO HAVE PRODUCTION-SHARING CONTRACTORS CONTINUE PLAYING ACTIVE ROLE, WIDJOJO ASSURED HIS AUDIENCE. IN PRIVATE SESSION WITH UNION EXECUTIVE, WIDJOJO LISTENED ATTENTIVELY TO SOME "STRAIGHT TALK", GIST OF WHICH WAS THAT INDONESIA'S CIRCUMSTANCES WERE QUITE DIFFERENT FROM THOSE OF PERSIAN GULF STATES, THAT GOI WAS JUSTIFIED IN SEEKING TO ALTER ITS CONTRACTS AFTER OPEC PRICE HIKES BUT HAD ALLOWED CHANGES TO GET OUT OF HAND, AND THAT COMPANIES NEED TO HAVE STABILITY IN CONDITIONS UNDER WHICH THEY WORK. AT WIDJOJO'S REQUEST, UNION VICE PRESIDENT REITERATED IN A TELEX HIS SUGGESTIONS MADE ORALLY FOR IMPROVING INCENTIVES (CF JAKARTA 4771). DURING HIS PRIVATE SESSION WITH MOBIL EXECUTIVES, WIDJOJO APPARENTLY BECAME CONVINCED THAT GENERAL PROVISIONS OF PRODUCTIO;-SHARING CONTRACT DID NOT ADDRESS COST SITUATION PECULIAR TO PROCESSING OF NATURAL GAS CONDENSATES AND ARRANGED QUICKLY TO SPEAK WITH HARYONO ON PROBLEM.

15. INDONESIA EMBASSY REPORTS THAT WIDJOJ FOUND
UNIVERSITY PEOPLE HE TALKED TO AT WASHINGTON LUNCHEON
TO BE A "LITTLE BEHIND" IN THEIR KNOWLEDGE OF STATE
OF PLAY ON NORTH/SOUTH ISSUES. AT SAME LUNCHEON SENATE
AND HOUSE STAFFERS GAVE WIDJOJO INSIGHTS INTO WORKINGS
OF CONGRESS AND DESCRIBED PRAGMATIC CONCERNS OF LEGIS-
LATORS ABOUT USG PARTICIPATION IN COMMODITY STABILIZA-
TION SCHEMES (HOW MUCH THE COST?; WHAT BENEFITS?).
VANCE

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